

SPEAKERS' NOTE ON THE BUDGET.

I. OPENING.

1. The Budget is the third stage of the Tory attack on working people - first, when Tories got in; second, in January; third, the Budget.

The Tories got in on a minority vote - 13,718,000 against Labour 13,952,000 - and by false promises - red meat and peaceful intentions. Now they cut food and squeeze the people for war.

2. The aim of the attack on the workers is not to balance the Budget - it provides a huge surplus of over 500 million £., from which the subsidies could be paid in full, the social services restored in full and more houses, schools, and hospitals could be built. The aim is to force down the working people's purchasing power, in order to divert Britain's resources to the arms drive and the war policy for the benefit of the American millionaires. And, being Tories, they take the opportunity to rob the poor and make the rich richer.
3. This Tory attack must be thrown back by working class action to kill the Budget, compel a General Election, and carry through an entirely new policy.

II. THE TORY ATTACK ON WAGES.

1. Already before the Budget, prices had risen far more than wages. Even the official Government figures, which do not show the full extent of the price rise, showed that

retail prices increased 2s.7d. in the £. (13%) during the year Jan.1951-Jan.1952, and food prices increased by 3s.7d. in the £. (18%) while

rates of wages only rose by 10% (2s. in the £) - and this only because Trade Unionists smashed the wage freeze.

But profits rose by 5s. in the £ (Financial Times figure).

Compared with 1947

retail prices have soared by 6s.5d. in the £,  
rates of wages only 5s.2d. in the £.

And this at a time when output per worker has risen by 27%!

Because of this, the workers have already been forced to cut their purchases of clothing, furniture, etc. In the third quarter of 1951, consumption of all goods by the people was 3% lower than in the same period of 1950; footwear was down 23%, clothing 20%, household goods 15%.

2. The Tories are determined to reduce consumption still further. But they are afraid to attempt this by direct cuts in wages. So the Tories are trying to get exactly the same result by the back-door - by raising prices and so lowering the real wages (purchasing power) of the workers.

For that purpose they are taking the following measures:-

- (1) Cut food subsidies by £160 million, and raised food prices.

The Budget means, according to Butler's statement, "about 1s.6d. a week per head in the cost of food". Prices to be raised are:-

|                          |                |                     |
|--------------------------|----------------|---------------------|
| 1 $\frac{3}{4}$ lb. loaf | - increased by | 1 $\frac{1}{2}$ d.  |
| Flour, 1 lb.             | "              | " 1 $\frac{1}{2}$ d |
| Meat, per lb.            | "              | " 4d.               |
| Milk, per qt.            | "              | " 1d.               |
| Tea, per lb.             | "              | " 8d.               |

Also cheese, butter sugar, bacon, eggs to go up further in coming months.

These are foods which bulk very large in the spending of the poorest families. For them, it will not be 1s.6d. per head, but 2s. or 2s.6d.

These increases come on top of the increases of 10d. a lb. on bacon and cheese, last December. Other foodstuffs, off the ration, are sure to go up too.

As well as charging more for rationed foods, the Tories have already made slashing cuts in imports of other foods, such as canned meat and fish, canned vegetables, and materials for cake and confectionery.

The Budget adds another £100 mn. of import cuts, largely in food - for example, imported off-the-ration cheese.

(2) Make workers pay more for fares, gas, electricity.

Outrageous increases in fares have been made recently. Now the Government adds 7½d a gallon to petrol and oil tax. This means an extra £65 millions, a great part of which will be extracted from the workers in still higher fares and transport charges, leading to a further general rise in prices.

(3) Extend purchase tax on the workers.

The whole Labour and Co-operative movement has been demanding the removal of purchase tax on all necessary goods. Now the Government's proposals mean that the better qualities of utility goods, which have been tax-free up to now, will have to pay purchase tax and will increase in price, while the buyer of luxury goods will pay less tax. A worker who wants a pair of boots of decent leather that will really last will pay more - a Society lady buying hand-made shoes will pay less. Protection against shoddy goods will disappear entirely.

(4) Push up Rents and Rates.

The Tories have already raised interest rates on loans to Local Authorities from 3% to 4¼% which means higher rates and higher Council rents, as well as bigger profits for bankers and financiers..

This rise is equivalent to a rise of 6s.9d. a week on the rent of new houses. And although the Tories claim they have "compensated" by an increase in Government housing subsidies, this is not nearly enough to cover the extra cost, and Local Authorities are also compelled to increase their housing subsidy out of the rates, and even then the tenant may have to pay extra rent.

Local authorities will also be forced to raise rates to cover the extra housing subsidy and loan charges on other items of expenditure.

Now, in the Budget, the Tories are putting up the Bank Rate again, from 2½% to 4%. This means:-

- (1) Building society interest rates on mortgages for people buying their own houses will go up to 5% - a serious matter when so many workers are compelled to buy a house to get anywhere to live.
- (2) The rise will spread to all interest rates, and, according to the Daily Herald (March 12th) probably mean another rise in Local Authorities interest rates.

### III. THE ATTACK ON THE SOCIAL SERVICES.

The first Tory attack was on Education. They wanted Local Authorities to cut education expenditure by 5 per cent. Nursery Schools have been closed



down, or charges raised; all kinds of "economies" made at the expense of the children; school building programmes stopped.

Then they attacked the Health Services; hospital building programmes stopped; a shilling charge on prescriptions, charges for hearing aids, surgical boots, etc.

They cut down the Government contribution to Social Insurance Funds; Now in the Budget they raise weekly contributions - men  $7\frac{1}{2}$ d, women  $5\frac{1}{2}$ d, a week, to pay for the miserable 2s.6d. a week increase in Old Age Pensions.

#### Where the Money Goes.

While war preparations take 8/- in the £. of estimated Government spending in 1952-3, only 4/- in the £. goes on health, housing, education, and grants to local authorities.

#### WAR ESTIMATES AND SOCIAL SERVICES.

| <u>War Expenditure</u>           | <u>£.million.</u> | <u>Social Service Expenditure.</u>              | <u>£.million.</u> |
|----------------------------------|-------------------|---|-------------------|
| Defence estimates:               | 1,462             | Health  | 402.              |
| Capital exp.(machine tools,etc.) | 62                | Housing   | 69                |
| Civil Defence                    | 14                | Education                                       | 263               |
| Strategic Reserves(stock-piling. | 60                | Grants to local authorities (England and Wales) | 58                |
| Secret Service                   | 4                 | National Insurance & Assistance                 | 244               |
|                                  |                   | Nat. Assistance Board                           | 104               |
|                                  |                   | Min.of Pensions                                 | 82.               |
|                                  | <u>1,602</u>      |   | <u>1,222.</u>     |

Total Estimates for Civil and Revenue Depts. and for Defence: £3998 million.

Of this, war expenditure comes to 8/- in the £ (40%).

Health comes to 2/- in the £.      Housing comes to 4d. in the £.

Education comes to 1s.4d. in the £.

The estimated direct expenditure on the arms programme (apart from stockpiling and capital expenditure) has risen this year from £1,131 mn. to £1,462 mn. - a rise of £331 mn. - MORE THAN DOUBLE THE CUT IN THE FOOD SUBSIDIES.

#### IV. THE ATTACK ON EMPLOYMENT.

High prices and low wages have already cut purchasing power, causing unemployment and short time in clothing, boot and shoe, textiles, and light engineering industries.

As soon as the Tories came in, they told Banks to reduce loans, thus making the position worse for smaller firms.

Now the Budget puts up Bank Rate from  $2\frac{1}{2}$  to 4 per cent. All interest charges will go up; this will be the last straw for many small firms, which will have to close down or sack workers.

The Tories have always stood for "dear money" to cause unemployment - besides, it brings in immense sums to Banks and financiers.

The whole Tory policy of (1) higher prices; (2) purchase tax on utility goods; (3) higher rent and rates; (4) higher Bank rate; (5) cutting down supplies to peace industries; - all lead to further lowering of purchasing power and spreading unemployment.

## V. DOES THE BUDGET MAKE "CONCESSIONS" TO THE WORKERS?

The so-called "concessions" on pensions and family allowances are supposed to take the sting out of the food price increases. The working class will have no difficulty in seeing through this manoeuvre.

### Pensions.

The old-age pension should have been increased long ago to meet higher prices. To maintain the 1947 value of the 26/- pension it would already need to have been increased by 32.5% to 34/6d. before the Budget. The Government is proposing to "discuss" increasing it to 32/6d - not enough to meet the price rise up to the Budget, and certainly not enough to meet the extra food bills after. (Note that pensioners spend a very big proportion of their income on goods like bread and tea which will go up most).

Even this miserable increase is largely to be paid for not by the Exchequer, but by extra insurance contributions from the workers (7½d for men, 5½d for women) which will raise about £32 mn. a year.

There is no increase whatever in unemployment pay, or in sick benefits.

### Family Allowances:

The 5/- allowance was fixed in 1945, and was even then quite inadequate. It bore no relation to the cost of feeding and clothing a child.

To buy as much as you could get for 5/- even in 1947, you would need 6s.8d. at the time the Budget was declared. Add to that the extra cost of food and fares, not to mention medicines, school transport, etc., and you see that this "concession" has disappeared and the family is left worse off.

Moreover, since there is no allowance for the first child, a family with one child loses 4s.6d. by food subsidy cuts and gains nothing; a family with two children loses 6/- and gets only 3/- back; a family with 3 children loses 7s.6d. and gets only 6/- .

Rob you of £2.8s. - give £1 back.

Butler himself admitted that while £160 mn. would be taken off the food subsidies, only £80 mn. would go in "concessions" to pensioners and children out of the Budget and the Insurance Fund (And some £32. mn. of the "concessions", we may add, will come out of the workers' extra contributions). For every £1. in "concessions" the workers have to pay £2. in extra food prices and another 8s. in insurance contributions.

### Income Tax.

The income tax change will benefit mainly the well-to-do.

A worker with two children, earning up to £8 a week (the present average wage) pays no tax now, and gains nothing from the changes. But he will have to pay 7½d a week extra insurance contribution and all the price increases.

A worker with three children, earning up to £10 a week, is in the same position - he gains nothing on the changes.

Even a worker earning £10 a week with two children gains from tax changes less than 5/- a week. Against this he has 3/- extra to pay on food (after deducting family allowance), 7½d insurance, extra fares, higher utility prices etc., which will immediately eat up all the rebate.

Most workers, of course, earn less than this and get less tax reduction.

An apprentice on £4 a week, for instance, will get less than 1/- a week tax reduction - not enough to pay for his evening classes and the extra cost of the football match, let alone the extra on his food.

But a company director on £2,500 a year, with 3 children, will get £76. a year or 29/- a week out of the change, and on balance be better off after the Budget.

### The Rich won't Pay.

The rise in prices, with wages lagging, which has impoverished the workers, has brought a tremendous increase in profits for the rich. The



The Government White Paper "Preliminary National Income & Expenditure Estimates, 1948-51" gives the picture plainly:

|   | 1949.<br>£.million. | 1951.<br>£. million. | Increase<br>% |
|---|---------------------|----------------------|---------------|
| Trading profits of companies and public corporations: | 1,609               | 2,397                | + 49          |
| Wages and salaries                                    | 6,635               | 7,800                | + 17.         |

(Cmd. 8486, Table 3).

(Even after Tax, corporate profits are up by 25% in the two years!)

#### E.P.T.

The new Excess Profits Tax proposed is a complete swindle. Butler introduces a tax of 30% on the excess of profits above the average of the "standard" years, 1947, 1948, and 1949 (which were already record years for profits). This is estimated to raise £200 mn. in 1953-4. At the same time he makes a compensating reduction in the present profits tax of £100 million, so that in 1953-4 the net increase in tax is to be only £100 mn.

Therefore the rich get off with more booty than ever, because

- (1) In the current year the increase is negligible, only £1. million.
- (2) In 1951 company profits had increased over 1948, by £792 millions, and over 1950 by £453 mn. (23%). Even in 1953-4 only £100 mn. will be taken by E.P.T. - while profits will no doubt be higher still next year.
- (3) The company is entitled to keep 7/10ths of its excess profits.
- (4) How generous the profit "standard" for E.P.T. is can be seen by the fact that if a company was making what Butler calls "unduly" low profits in 1947-49, it can take 10% on its capital as the standard instead! A new business can take 10% on capital as its standard.

#### VI. CRISIS? - WHAT SORT OF CRISIS?

- (1) We are told that all the Tory measures are necessary because there is a crisis in Britain's balance of payments. Imports have risen more than exports - the average deficit in Jan. and Feb. was 63 million dollars a week.

This deficit is due mainly to heavy raw material imports for the arms drive, plus heavy payments abroad for the wars in Korea and Malaya and the big forces in Egypt.

- (2) In order to try to cover the deficit, the Tories are cutting both food and raw material imports for peace industry.

The result of this is that many factories have had to close down or go on short time, for lack of raw materials.

But it also has another result - when we cut imports from other countries, they cut imports from us. Western European countries have done this, and now Australia is cutting British imports. Last year Britain exported to Australia 107,000 cars and 36,000 commercial articles. Only one-fifth of these figures will be allowed in by Australia this year. Textiles will also be affected. This means more workers out of jobs in these industries.

- (3) The Tories say they will raise exports by £50 million. But the truth is that their policy means a heavy drop in what we can sell abroad, because:-
  - (a) They are cutting raw material supplies.
  - (b) They are cutting imports from other countries, so these countries are cutting imports from us (see above),
  - (c) Other capitalist countries in the so-called Atlantic Alliances are also being forced by America to spend more on arms, and are in the same difficulties as Britain.
  - (d) The U.S.A. is financing West German and Japanese industry, with low wages, to export textiles, machinery etc., and capture our markets. These countries are also getting preference from America for raw material supplies.

German exports have doubled in the last two years. In 1949 W. Germany's exports of metal goods to Europe were less than 3/4 of Britain's. In 1951 they were almost double ours. In Latin American countries (e.g. Mexico and Brazil), W. German exports are going ahead of ours, while W. German bicycles are being dumped in India, Pakistan, W. Africa, Ireland etc.

Japan's exports of cotton piece goods in 1950 and 1951 were greater than Britain's - on the basis of wage rates of 7½d an hour compared with 2s.7d. here (Manchester Guardian Review of Industry).

- (e) The Tories, on American orders, have cut our trade with the Soviet Union, Poland, Czechoslovakia, China, although these are markets where we can sell British manufactures of all kinds, in exchange for grain, timber etc.

United Kingdom exports to Russia were cut from £8,600,000 in 1949 to £3,600,000 in 1951. Exports of machinery (because of U.S. orders not to send machinery to Russia) were cut by Britain from £9,995,000 in 1950 to only £2,804,000 in 1951.

Even in America, the Christian Science Monitor recently wrote:

"The United States' European allies are all suffering economically from the post-war blockade of East-West trade.

Their dependence on American economic aid is primarily a result of this blockade. Were the barriers removed, and were European manufactured products again to flow Eastward in return for Eastern raw material, it is probable that Western Europe could swiftly regain its independence from American Economic aid" (January 7, 1951).

The Tory measures are no solution for Britain's balance of payments crisis, but will make it worse. This crisis is due to the arms drive and the policy of enmity against the Soviet Union, coupled with the wars in Korea and Malaya and the huge forces kept in Egypt and the Middle East.

The balance of payments crisis can only be ended by a complete change of policy: peace, friendship and trade with all countries.

## VII. WILL MORE PRODUCTIONS SOLVE THE CRISIS?

The Right-wing Labour leaders adjure the workers not to resist the Tory attacks by industrial action, arguing that only more production can solve the crisis. Thus Tewson, secretary of the T.U.C. declares:

"If there were any attempt to disrupt industry because of differences on the political field, we should be blunting the very instrument with which we are to hew our way out of our present tangle of difficulties... Industry has a vital and crucial part in determining whether we can maintain economic stability and give the trade unions a fighting chance to defend the interests of their members (Daily Herald)

This argument is obvious nonsense in the present situation. Despite intensification of work, production is lower than a year ago and unemployment rising. Why is this?

Production is falling off and unemployment growing in textiles, clothing, furniture, because the workers are already too poor to buy the goods produced. How will "more production" help that?

Production is restricted in engineering and workers face redundancy and short time because steel and other raw materials are scarce owing to the huge demands of arms industries in America and W. Germany. What's the use of talking about "more production" to workers on short time?

Production for export in textile and motor industries is dropping because the capitalist countries are getting poorer and we are not allowed by America to trade with the Socialist ones. What answer is "more production" to that?

Since 1947 production per worker in Britain, according to the official figures, rose by 27%. But the workers' standards have not risen. The extra output has gone to make capitalist profits and to provide huge armaments on American orders.



"More" production" has not brought us economic stability; instead, we face economic ruin, because the higher production has been used for a wrong policy.

Only a complete change of policy - peace, disarmament, friendship and trade with all nations - can solve the economic difficulties, and give the British people prosperity and jobs that will last.

### VIII. WHAT MUST BE DONE

#### (1) Note Mr. Attlee's reaction to the Budget:

"It was not an easy Budget to sum up..... Until he had a little more time to look into it he would not give a final verdict"

But the workers and the housewives didn't have to wait - they know what the cut in subsidies and the price rises mean for them.

Mr. Attlee does not want to fight, because he was responsible for committing Britain to the arms drive and the hostility to the Soviet Union which is the real cause of Britain's difficulties.

That is why he attacked the 57 Labour M.P.s who voted against the Tory war measures, and is trying to prevent any real fight against the Tories.

Working people cannot "leave it to Mr. Attlee" and the other right-wing Labour leaders who are committed to America's war policy. They must act themselves to save Britain.

#### (2) Is it "undemocratic" to resist the Tories?

There is nothing democratic about the Tories or their policy. They lied to the people to get elected. Even so, they only got a minority vote in the country. They have now tied Britain by a secret agreement to make war on China when America decides.

Yet the Right-wing Labour leaders tell the workers not to fight, just as they tell the Labour M.P.s not to vote against the Tories' war policy.

Working class action is the only way to enforce the democratic will of the majority of the people, against a Government that has no mandate for its policy, even from those who voted for it.

It was Herbert Morrison himself who said at the 1919 Labour Party Conference that the war against Russia

"should be resisted with the full political and industrial power of the whole trade union movement."

In August 1920, when the Government threatened a new war against the Soviet Union, the T.U.C. and Labour Party informed the Government that:

"the whole industrial power of the organised workers will be used to defeat this war."

In May 1926, the T.U.C. called a general strike against the Government decision to cut miners' pay.

Several times between the wars, unemployed marches and demonstrations compelled the Government to withdraw attacks on the unemployed.

Resistance to reactionary measures by the Government is the established tradition of the British Trade Union Movement.

(For other points see World News & Views, March 15; and Harry Pollitt's article in Daily Worker, March 15).

#### (3) Kill the Budget: Clear Out the Tories.

From every pit, workshop, depot, farm and street, from every organisation in the Labour Movement, demand the withdrawal of this Tory warmongers' Budget and a new General Election.

Let every factory in every industry consider what are the most effective forms of action they can take.

Trade Unionists! Ask your local organisations to call mass meetings!

Ask for the convening of a special Trades Union Congress and Labour Party Conference to organise mass opposition to the Budget.

Let United working class action compel the withdrawal of the Budget and clear the Tories out.

Let united working class action change Britain's whole policy at home and abroad.

## IX. OUR ALTERNATIVE POLICY.

A new Government that would pursue a policy of peace, conclude a Five Power Pact, agree to disarmament, and open up trade with all nations, could completely and rapidly transform the whole outlook.

### What the Budget could Look Like.

To cut arms spending even to the level of 2 years ago, before the huge American-dictated arms programme would save the country £800 millions. This would be enough, for example, to:

|   |           |
|---|-----------|
| Restore the Butler cuts in health, education and food subsidies | £250 mn.  |
| Increase old age pensions by £1 a week - no extra contribution. | £100 mn.  |
| Increase war pensions   | £ 50 mn.  |
| Cut out half the purchase tax.                                  | £150 mn.  |
| Extend housing, education and other social services.            | £250 mn.. |

### Lower Prices - End of Shortages.

Prices would come down because there would be no more cuts in imports and raw material shortages - and because purchase tax and other taxes on the people would be cut. Trade would be opened up with the Socialist countries, who could supply cheap grain and timber (Russia), dairy produce (Poland), scarce materials like tungsten and molybdenum (China), and so stop America holding us up to ransom.

### Balance of Payments Crisis Solved.

Countries in the Empire and W. Europe, like Britain, would gain from the ending of the war alliance and rearmament programme (for without Britain, America's war-block would fall to pieces). They would be able to buy more from us and send us more goods.

Trade with the Socialist countries, who are rapidly increasing their production and very anxious to buy British machinery and all kinds of manufactured goods, including Textiles (which they are now buying from Belgium and Italy), would provide guaranteed, slump-proof markets for many years ahead. This would be a strong defence against unemployment.

No longer would Britain have to go cap-in-hand to America for dollars - we could pay our way and raise our standards of life at a speed never seen before.

This is not a dream. It is what can be brought about in the immediate future, if the Labour Movement goes into action now, with all its strength against the Tory Budget.

### BUILD OUR PARTY.

To strengthen that fight, we need a far stronger Communist Party and Y.C.L. and many more daily readers of the Daily Worker.

It was the Communists and the Daily Worker who throughout led the opposition to war and rearmament, which is now sweeping throughout the Labour Movement. With a stronger Communist Party we could have defeated the Tories in 1951.

Build and strengthen the Communist Party and the Y.C.L. now, so that the working class may rid itself of right-wing leaders and see clearly the road ahead, and create a far stronger united leadership along the road to Socialism.

Read the Daily Worker, which is more than a newspaper in this situation - by giving news of how the battle is going, it helps to organise the fight and is the essential weapon of the whole working class in its battle to end the Tory Budget and the Tory Government.